Proposition 98 Overview

LEGISLATIVE ANALYST'S OFFICE

Presented To:

Budget Conference Committee







Proposition 98 Ongoing Funding

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The Governor and Senate fund at Proposition 98 minimum guarantee.

The Assembly provides \$58 million more than required by the Proposition 98 minimum guarantee. The additional funds are primarily designated for higher enrollment growth at the community colleges.

We recommend the Legislature fund at the Governor/Senate level, with the same split between K-12 education and community colleges (89.17 percent and 10.83 percent, respectively).

At the Governor/Senate/LAO-recommended level, ongoing Proposition 98 funding for 2007-08 would increase by \$2.4 billion, or 4.4 percent, from the *2006-07 Budget Act*.

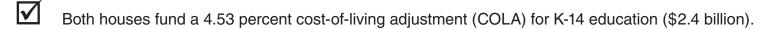
(Dollars in Millions)

	2006-07	2007-08	Change		
	Budget Act	May Revision	Amount	Percent	
K-12	\$49,114	\$51,224	\$2,110	4.3%	
Community Colleges	5,894	6,223	329	5.6	
Other	114	119	5	4.6	
Totals	\$55,122	\$57,566	\$2,444	4.4%	



Major Proposition 98 Ongoing Spending Proposals

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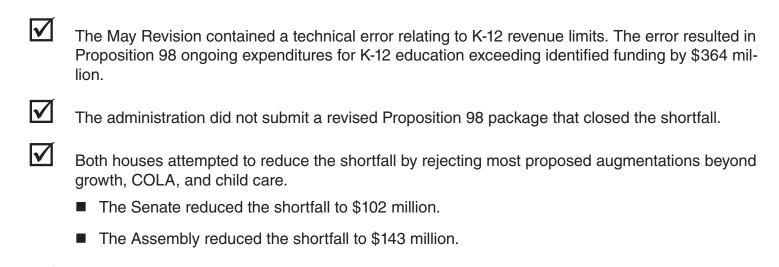


Both houses fully fund enrollment and make various corresponding adjustments to K-14 education programs.

Both houses approved the Governor's January proposal to increase the Proposition 98 share of child care funding (\$269 million).



The K-12 Proposition 98 Ongoing Shortfall



- Both houses chose to cover the remaining ongoing shortfall with one-time Proposition 98 funds.
- The remaining shortfall will carry forward into 2008-09 and could be covered at that time with any combination of ongoing funds or newly identified one-time funds.
- Our most recent fiscal forecast suggests the Proposition 98 budget will be tight in 2008-09—meaning few dollars are likely to remain after covering growth and COLA. Thus, we recommend keeping the ongoing shortfall as small as possible.



The LAO-Recommended Proposition 98 Ongoing Package

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The LAO-recommended conference package leaves an ongoing K-12 shortfall of \$58 million—smaller than either house. It reduces the shortfall by:

- Building on the Senate's approach to reexamine the funding needed to support the High Priority Schools program.
- Building on the Assembly's approach to capture discretionary K-12 attendance-related savings.
- Taking the lower funding level of the two houses for all other K-12 items.



The LAO-recommended conference package for community colleges:

- Takes the Senate proposal to rebench apportionments downward by \$80 million to align funding with enrollment.
- Funds enrollment growth well in excess of the statutory growth guideline.
- Funds two part-time faculty programs with \$10 million in ongoing funds instead of one-time funds.



Proposition 98 Conference Issues—Ongoing Funds

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(In Millions)

	-			LAO	
Page	Description	Senate	Assembly	Compromise	Comment on Compromise
K-12					
234	Summer School	_	\$0.2	_	Makes technical adjustment.
237	High Priority Schools Grant program	-\$102.6 ^a	_	-\$50.0	Provides sufficient funding only to support already participating schools.
239	Discretionary attendance-related adjustments	_	-8.1	-8.1	Achieves savings from 21 programs that do not have statutorily required growth adjustments.
240	Economic Impact Aid (Growth)	_	13.0	13.0	Funds statutorily required growth adjustment.
243	Deferred Maintenance	_	-142.6 ^a	-57.5 ^a	
245	Community-Based English Tutoring	15.1	50.0	15.1	Takes lower of two houses to minimize ongoing shortfall.
CCC					
272	Rebenching apportionments	-\$80.0	-\$40.0	-\$80.0	Aligns funding with enrollment.
273	Enrollment growth	10.0	_	_	Accommodates all projected enrollment demand.
273	Enrollment growth	-1.6	_	-1.6	Aligns growth funding with anticipated demand.
274	Noncredit courses	_	18.0	_	Noncredit funding rate recently increased by statute. Should await results before further augmentation.
275.1	Part-time faculty benefits	b	10.0	10.0	Both houses augment program. Ongoing funds more appropriate.
275.1	Textbook assistance for low-income students	1.9	c	1.9	Both houses augment program. Ongoing funds more appropriate.
a _{Re}	presents ongoing shortfall to be backfilled with one	e-time funds.			
l h	ovides \$10 million one-time funding.				
c _{Pro}	ovides \$5 million one-time funding.				



Proposition 98 One-Time Funding

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The Governor provides \$803 million in one-time funds.

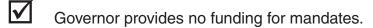
Both houses reserve some one-time funds for future use, thereby spending less than the Governor.

The Senate spends \$667 million in one-time funds.

The Assembly spends \$655 million in one-time funds.



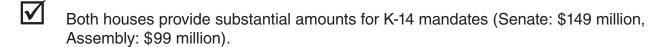
Proposition 98 One-Time Spending—Governor's Proposals



- Leaves roughly \$365 million in unfunded prior-year mandates.
- Leaves roughly \$185 million in unfunded 2007-08 mandates.
- Meets settlement requirement to provide funding for facility repairs at low-performing schools— Emergency Repair Program (\$196 million).
- Underbudgets state's K-12 declining enrollment adjustment for 2006-07 by at least \$50 million.
- Provides \$100 million for school safety plans, \$65 million for CalPADs support, and \$50 million each for community college career technical equipment and nursing programs.
- Funds about 15 other K-12 initiatives and five other CCC initiatives.



Proposition 98 One-Time Spending—Conference Issues



- Both houses fund Emergency Repair Program (Senate: \$128 million, Assembly: \$139 million).
- Senate provides \$50 million to cover projected underfunding of K-12 declining enrollment adjustment for 2006-07.
- Senate's top three policy priorities are alternative education (\$30 million), teacher programs (\$25 million), and community college nursing/allied health programs (\$45 million).
- Assembly's top three policy priorities are preschool (\$20 million), English learner (EL) instructional materials (\$20 million), and community college nursing/allied health programs (\$49 million).



The LAO-Recommended Proposition 98 One-Time Package



- Spends at lower of two houses (Assembly).
- Builds on both houses' efforts to fund K-14 mandates (\$140 million).
- Funds Emergency Repair Program (\$122 million).
- Includes \$50 million to cover projected underfunding of K-12 declining enrollment adjustment for 2006-07.
- Supports both houses' efforts to fund community college nursing/allied health equipment (\$30 million).
- Of houses' K-12 priorities, pools monies to dedicate substantial resources to one of two top priorities.
 - In response to Senate actions, provides \$40 million for alternative education—intended to fund the first year of a three-year initiative.
 - In response to Assembly actions, provides \$19 million for EL instructional materials and \$1 million for a project to pilot new materials for EL students.



Proposition 98 Conference Issues—One-Time Funds

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(In Millions)

Page	Description	Governor	Senate	Assembly	LAO Compromise	Comment on Compromise
		GOVERNO	Ochato	Accountary	Compromise	Comment on Comprehence
K-12						
247	High-Speed Network maintenance	\$1.9	_	\$1.9	\$1.9	Funds technology refresh needed to maximize reliability of existing network.
248	Alternative compensation planning	_	\$2.0	_	_	•
249	Personnel Management Assistance	_	3.0	_	3.0	Funds existing teacher recruitment program (one of Senate's four teacher proposals).
249	Principal Training	_	2.5	_	_	
250	Emergency Repair Program	196.0	128.2	139.0	122.1	Technical: related to settlement.
250	Community Day School deficiencies	_	4.1	_	4.1	Covers deficiency of existing program.
251	K-12 mandates (balancer)	_	114.0	79.1	104.0	Funds bulk of 2005-06 mandate costs (already owed to districts).
251	English learner (EL) instructional materials	20.0	12.0	19.0	19.0	Funds Assembly's EL priority.
252	Backfill K-12 deferred maintenance	_	_	142.6	57.5	Uses to backfill ongoing shortfall.
252	Declining enrollment costs	_	50.0	_	50.0	Covers projected underfunding in 2006-07.
253	Alternative schools block grant	_	30.0	_	40.0	Funds Senate's alternative education priority.
254	Preschool infrastructure	_	_	20.0	_	
255	EL instructional material pilot	_	_	1.0	1.0	Funds Assembly's EL priority.
255	State special schools interpreters	_	_	0.3	0.3	Funds workload adjustment.
256	School site data workgroup	_	_	0.3	0.3	Strengthens fiscal transparency.
262	Encorps teacher training	_	12.0	_	_	
264	Math and science teacher recruitment	_	7.5	_	_	
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Proposition 98 Conference Issues—One-Time Funds

(Continued)

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(In Millions)

				•	LAO	
Page	Description	Governor	Senate	Assembly	Compromise	Comment on Compromise
CCC						
276	CCC deferred maintenance (balancer)	\$47.5	\$45.6	\$14.4	\$34.6	
276	CCC mandates	_	35.0	20.0	35.0	Addresses costs already incurred.
276	Nursing/allied health equipment	50.0	30.0	49.2	30.0	
276	Nursing/allied health training for state facilities	_	15.0	_	_	Insufficient information on proposal.
276	Outreach services for parolees	_	10.0	_	_	Insufficient information on proposal.
275.1	Part-time faculty benefits	_	10.0	a	_	Both houses augment program. Ongoing funds more appropriate.
276	Technology enhancements for internet	2.7	2.0	_	_	Both houses rejected ongoing funds to maintain system.
276	Accreditation for small and at-risk colleges	_	2.0	_	_	Insufficient information on proposal.
276	Student Access to Transit Initiative	_	_	3.0	_	Insufficient information on proposal.
276	Professional development	_	_	5.0	_	Insufficient information on proposal.
276	Construction College program	_	_	3.0	_	Insufficient information on proposal.
275.1	Textbook assistance for low-income students	2.5	<u></u> b	5.0	_	Both houses augment program. Ongoing funds more appropriate.
ا ا	ovides \$10 million ongoing funding. ovides \$1.9 million ongoing funding.					